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15TH ANNUAL REPORT / 1967  
**INLAND**  
NATURAL GAS CO. LTD.



## **DIRECTORS**

Norman R. Whittall	Chairman of the Board, Inland Natural Gas Co. Ltd.
Fred B. Brown	Vice-President, The Bank of Nova Scotia
William Manson	Retired, former Regional Vice-President, Canadian Pacific Railway
Cyrus H. McLean	Chairman, B.C. Telephone Company
John A. McMahon	President, Inland Natural Gas Co. Ltd.
John D. Taggart, Q.C.	Barrister and Solicitor, Farris, Farris, Vaughan, Taggart, Wills & Murphy
Roderick M. Hungerford	President, Clayburn-Harbison Ltd.

*All directors reside in Vancouver, B.C.*

## **OFFICERS**

John A. McMahon	President and Chief Executive Officer
Fred B. Brown	Vice-President
Ronald M. Rutherford	Executive Vice-President
Donald R. MacPhail	Vice-President and Secretary
Richard B. Stokes	Vice-President, Finance

## **HEAD OFFICE**

1155 West Georgia Street, Vancouver 5, B.C.

## **REGISTRAR**

Eastern & Chartered Trust Company, Vancouver, B.C.

## **TRANSFER AGENT**

Eastern & Chartered Trust Company,  
Vancouver – Calgary – Toronto – Montreal

## **AUDITORS**

Riddell, Stead, Graham & Hutchison

## **WHOLLY-OWNED SUBSIDIARIES**

Peace River Transmission Company Limited  
St. John Gas & Oil Co. Ltd. (N.P.L.)  
Grande Prairie Transmission Co. Ltd.  
Inland Development Co. Ltd.  
Inland Transmission Co. Ltd.  
Inland Development (1957) Co. Ltd.

15th Annual Report for the fiscal year ended June 30, 1967

ANNUAL MEETING—10:30 A.M. P.D.T., OCT. 26, 1967, GEORGIA HOTEL, VANCOUVER, B.C.

# HIGHLIGHTS

	1967	1966	1965	1964	1959
Sale of Gas	\$12,988,672	10,553,566	9,177,852	8,077,144	2,947,097
Operating Revenue	\$13,447,619	10,981,425	9,732,723	8,633,201	3,811,844
Net Income	\$ 2,489,022	1,806,199	1,537,517	1,045,209	147,271
Net Income per Common Share	89c	60c	49c	28c	(4c)
Dividends paid per Common Share	35c	27.5c	25c	12.5c	—
Dividends paid per Preference Share	\$ 1.00	1.00	1.00	1.00	1.00
Fixed Assets	\$44,118,129	41,536,729	38,949,864	39,306,592	31,802,259
Accumulated Depreciation and Depletion	\$ 4,598,504	3,749,355	2,936,085	2,972,829	538,792
Customers					
Residential	27,133	24,508	22,020	20,148	9,203
Commercial	4,013	3,687	3,355	2,979	1,347
Special Construction	219	398	20	—	—
Small Industrials	79	73	58	48	10
Large Industrials	23	19	19	23	9
Total	31,467	28,685	25,472	23,198	10,569

## About the Covers

Front cover is a view of Okanagan Lake near Summerland.  
Back cover shows Kalamalka Lake near Vernon, B.C.  
Both are British Columbia Government photographs.

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## TO OUR SHAREHOLDERS

This report reviews the best year in the Company's history. The earnings per common share were 89c compared to 60c in the previous year. The quarterly dividend, payable February 15, 1967, was increased from 7½c to 10c per share.

Last year reference was made in the Annual Report to Shareholders that the Company would be in a taxable position in 1968. This subject is dealt with again in the Directors Report. From now on, income tax will be an important element in the Company's financial affairs.

Over the past two years Inland has made substantial reductions in the selling rates of natural gas to residential and commercial consumers. The lower rates have stimulated sales, and this coupled with increasing industrial requirements means that more transmission and distribution facilities are necessary to handle the increased business.

In regard to the transmission facilities, the Company had the choice of either looping its existing system, or constructing 90 miles of transmission line which would connect the West Kootenay area of the Inland system with the Alberta Natural Gas Company transmission line near the international border at Kingsgate, B.C. The economics weighed heavily in favour of the latter, with the added advantage of supplying our customers with an alternative source of natural gas.

To implement this program we negotiated a new gas purchase contract with Westcoast Transmission Company Limited which, apart from giving us increased volumes at lower rates, allowed us to replace our commitment to purchase gas from them for the West Kootenay area by substituting gas from the Alberta and Southern Gas Co. Ltd.

We have negotiated a gas purchase contract with Alberta and Southern Gas Co. Ltd., but the contract is subject to that company receiving approval from the Alberta Conservation Board to export the gas from the Province of Alberta. The new gas purchase contract with Westcoast is subject to Westcoast and its American customer receiving the necessary authority from their respective governments. We cannot proceed with the construction of the transmission facilities until all of the above-mentioned approvals are obtained, including approval from our own regulatory authority, the Public Utilities Commission of British Columbia.

In addition to the above, the Company plans to extend service to thirteen communities with a combined population of approximately 15,000. Certificates of Public Convenience and Necessity are being applied for where required.

Without exception, all the various segments of industry in our service area are expanding. This applies to mining, the manufacture of lumber, plywood, pulp, paper, oil refineries, oil and natural gas pipelines, chemical fertilizers, fruit processing, agriculture, tourism, with particular emphasis on the contribution that mining is making to the economy of our service area.

We anticipate the continuation of rapid expansion of population and industry. This growth, coupled with the extremely competitive rates of natural gas, justify the optimistic outlook for your Company's future.

Yours sincerely,

President

September 21, 1967



THE YEAR IN REVIEW

Revenue

Inland's gas revenues, sales volumes and number of customers again reached new highs in the 1967 fiscal year. The most notable gain was from industrial sales. The dollar value from residential and commercial sales was at about the same level as in the previous year, despite the fact that there were 2,951 new customers added. The contributing factors were rate reductions, and warmer weather than normal. Sales continued to be well diversified among the various classifications with over 50% of the total revenue being derived from residential and commercial customers. Other operating revenue, which is generated mainly from the sale of gas appliances and financing plans, increased to \$247,457 from \$196,496 in the prior year.

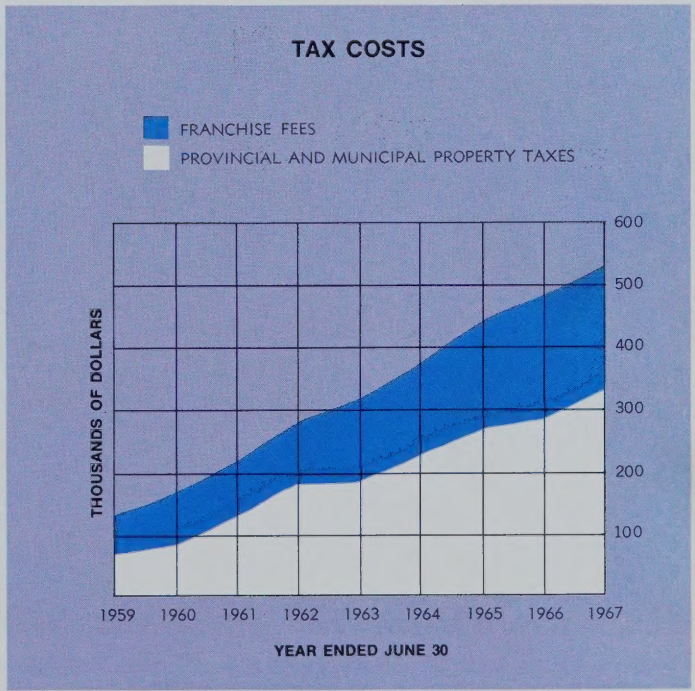
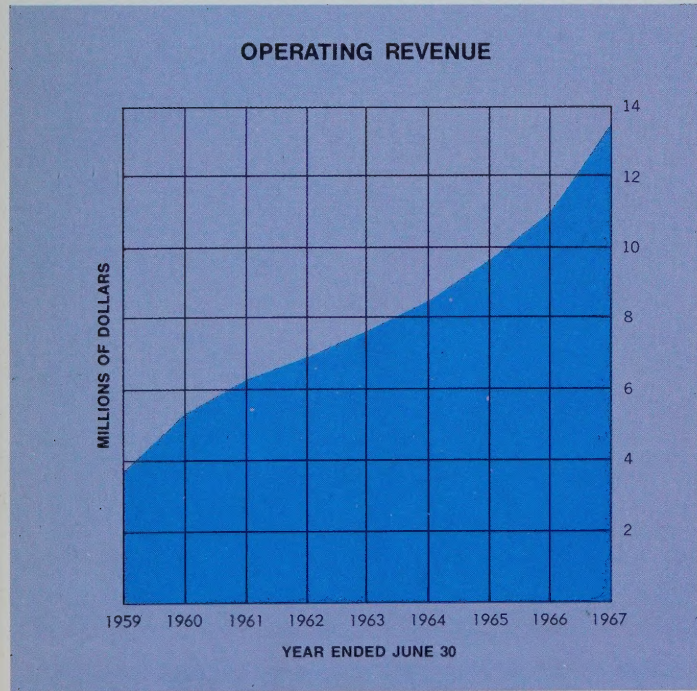
	Mcf (000)	\$ (000)	%
Residential	3,020	3,862	31.6
Commercial	2,295	2,391	19.5
Special Construction	59	45	.4
Small Industrial	1,842	1,238	10.1
Large Industrial	12,543	4,698	38.4
	19,759	\$12,234	100.0%

Operating Expenses

The cost of purchasing our natural gas is a major component of operating expenses. During the year under review Inland's outlay on this item was \$5,695,000, compared to \$4,281,000 in the previous year. However the unit cost per 1,000 cubic feet of gas was lower at 29.4c compared to 32.7c in 1966, due to the fact that the system was able to operate at a higher load factor. This reduction made a significant contribution to the increase in net earnings for the year.

Operating and maintenance expenses increased by \$104,000 which was primarily due to increased wages to employees. The Company has approximately 200 employees which is about the same as a year ago, and all share in benefit programs such as pension plan, medical services, sickness and disability insurance and group life insurance. The total of salaries and wages including benefits for the current year was \$1,447,000 an increase of \$135,000 over the previous year. A major portion of new plant construction is performed by the Company's own workforce and therefore a substantial portion of salaries and related costs are capitalized.

Your Company continues to be an important contributor to the welfare of the communities it serves. This year approximately \$516,000 was paid out in franchise fees and property taxes.





## Income Taxes

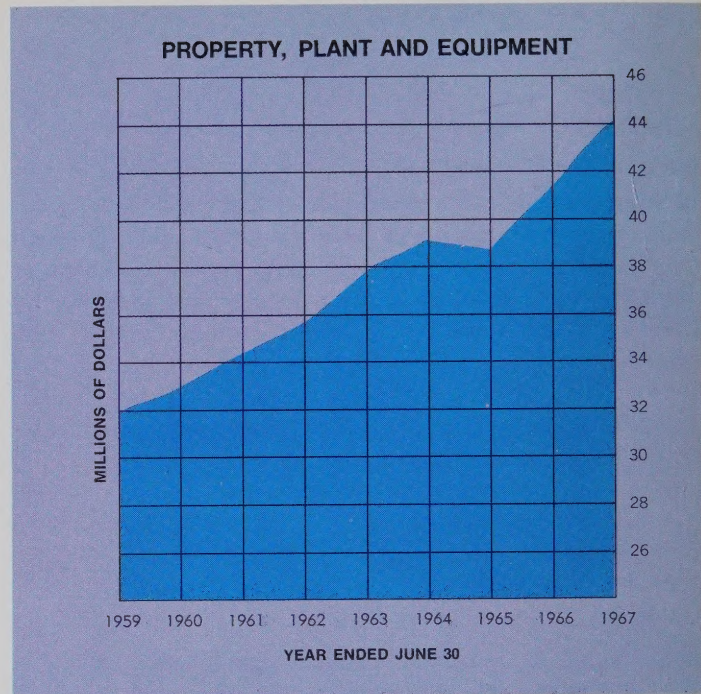
Inland's utility operations have not as yet attracted any income tax. This is due to the fact that the Company has not used up its loss-carry-forward provisions calculated in accordance with the Federal Income Tax Act. The losses which have been carried forward are a result of claiming capital cost allowances for income tax purposes which were in excess of the depreciation recorded in the utility's accounts. Depreciation is recorded in the books of the Company, using rates prescribed by the Public Utilities Commission. The Company's projections of earnings indicate that the utility will be in a taxable position in the fiscal year 1968. The projected capital program will, however, for some long period of time, allow capital cost allowances far exceeding depreciation recorded in the Company's books. The result will be a relatively low percentage of income tax in relation to net income.

## Sinking Fund

During the year long-term debt was reduced by \$608,000 through the operation of the Sinking Fund, and by the acquisition of outstanding bonds for future Sinking Fund requirements.

## Capital Expenditures

Capital expenditures during the year ended June 30, 1967, totaled \$2,581,400. Approximately 100 miles of



transmission line, distribution mains and services were installed. The largest capital project was an extension to the town of Mackenzie and the sawmill and dry kiln facilities of Alexandra Forest Industries Ltd. and Cattermole Timber Ltd. These mills are the first part of a complex which will include two pulp mills set for operation by the end of 1970.



Pictured above is the Municipality of the District of Mackenzie. The "Instant" town is planned for a population of approximately 8,000 by 1970 and will have fully modern recreation, shopping, and accommodation facilities, some of which are now under construction.



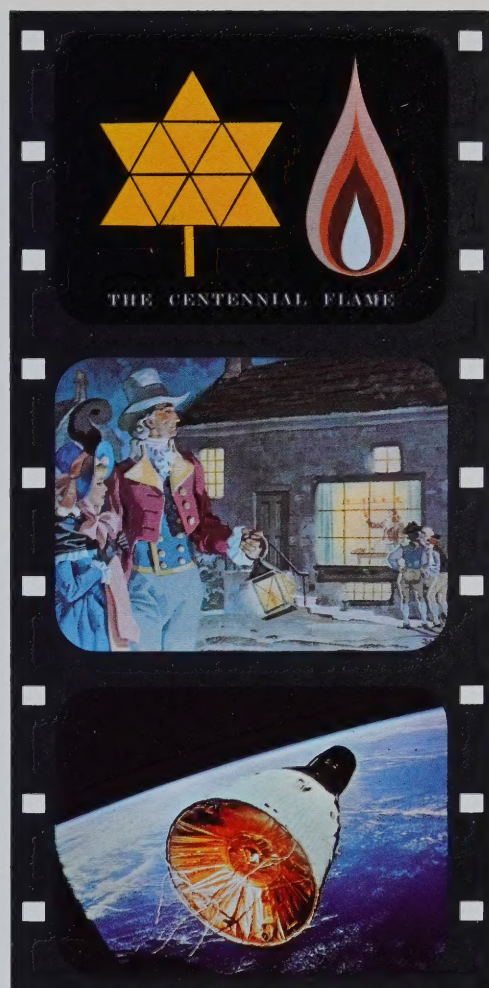
## Marketing and Sales

The slowdown in new construction generally felt across Canada during the year under review was appreciably less evident in the area served by your Company. Shortage of housing due to rapid industrial expansion and the resulting population growth dictated a more liberal lending policy on the part of major mortgage and loan corporations.

Company personnel coordinated show home promotions for builders, assisted them in the production of radio, newspaper and television advertising, provided pamphlets, attractive gas lights and signs, which not only demonstrated the use of natural gas in new homes to the public, but was also extremely gratifying to the builders concerned. The result of these promotions was evident as we continued to capture over ninety-four percent of new homes constructed during the year.

Continued emphasis was placed on obtaining conversions to natural gas from other fuels, particularly oil. Aggressive campaigns employing all news media and direct mail, supported by various truck cards and window displays, were aimed directly at the conversion market with good results.

Two major public relations projects were undertaken during the year. The first was a twenty-six-minute colour and sound presentation entitled "The Centennial Flame". Produced by Inland personnel, the presentation has been recognized by school boards, service clubs and the gas industry as an outstanding documentary on the history of natural gas, its diversified uses and the story of your Company. It has been televised by two Interior stations, as a public service feature, to over 150,000 people and it has also been viewed by numerous schools and service clubs. Copies of the production have been purchased by the Canadian Gas Association and other gas utilities for use in other parts of Canada.



"The Centennial Flame" colour and sound presentation depicts the past, present, and future of your Company and the gas industry.



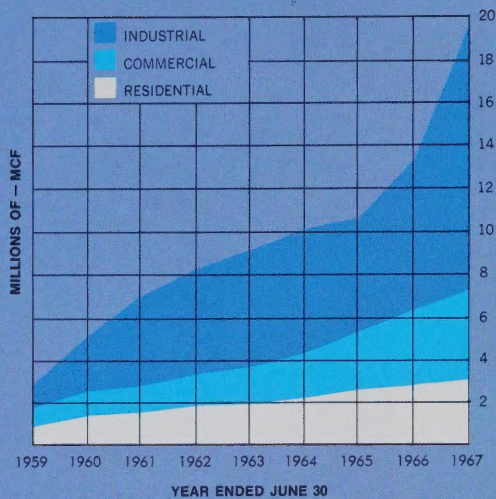
Inland provides gas lights, signs and other promotional assistance to building contractors.



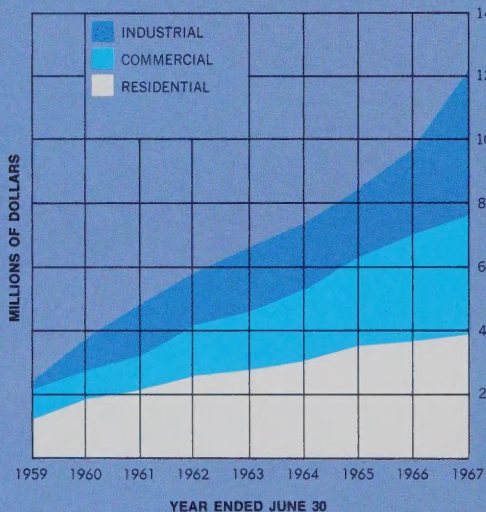
Display unit used in exhibitions and schools is completely animated.



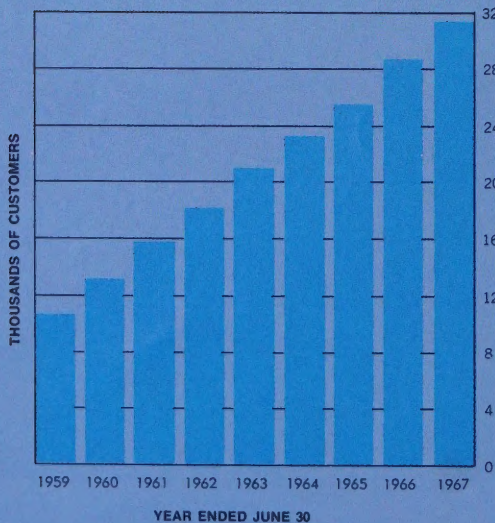
### ANNUAL GAS SALES—VOLUME



### ANNUAL GAS SALES—REVENUE



### TOTAL CUSTOMERS



The second project consists of a mobile display unit which demonstrates the safety, automatic features and mechanics of gas heating, the production and distribution of natural gas, the many varied uses of gas in home and industry, and the part played by natural gas in space programs. This "Gasarama" display unit is used by the Company extensively in exhibitions and fairs and is also playing an important part in Inland's youth education program.

### Potential Market

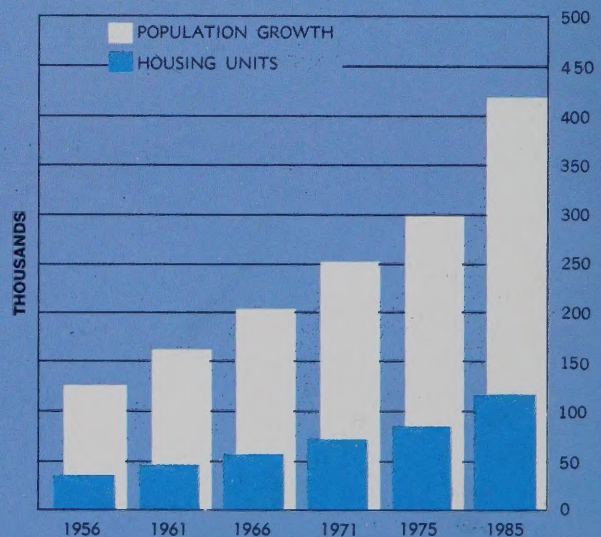
The Company has almost continuously used outside consultants for advice in respect to the facilities required to give good service and other matters related to service, including gas purchase contracts and economic studies. The most recent surveys made for the Company included a report on the economic and population trends in our service area by the British Columbia Research Council. This report was completed as recently as December 1966. At that time, the most recent Dominion census figures were available. Their report indicates that the population in our service area will exceed the provincial average, and it is interesting to note that the province is growing faster than any other province in Canada, registering a 15% increase between 1961 and 1966.

Ebasco Services Incorporated made a complete review of the Company's rate structure, and the rate reductions mentioned elsewhere in this report were designed, following their recommendations, to accelerate the sale of natural gas.

The graph below has been compiled from information contained in the British Columbia Research Council's study. Figures used are actual to 1966 and reflect forecast growth to 1985.

### POPULATION AND HOUSING

FIGURES TAKEN FROM B.C. RESEARCH COUNCIL REPORT





## WHOLLY OWNED SUBSIDIARIES

### St. John Gas & Oil Co. Ltd. (N.P.L.)

Holds interests in lease selections from former permits 22 and 30 near Fort St. John in Northeastern British Columbia.

The Company participates in the production of six natural gas wells and two oil wells. Production of natural gas during the fiscal year 1967 was 50.6 million cubic feet up from 41.6 million cubic feet in 1966. Production of oil during the current year amounted to 701 barrels compared to 718 barrels in 1966.

### Peace River Transmission Company Limited

Sales of 1,921 million cubic feet of natural gas were made during the current fiscal year through the Company's 35 miles of transmission lines. Natural gas is delivered to Northland Utilities Limited for distribution in Pouce Coupe and Dawson Creek in Northern British Columbia. This year's sales represent an increase of 83 million cubic feet over the year ended June 30, 1966.

### Grande Prairie Transmission Co. Ltd.

The Company gathers gas from three fields north of Grande Prairie in the Peace River area of Alberta and transmits the gas to the outskirts of the City of Grande Prairie and five other villages between Grande Prairie and Spirit River, where the gas is sold to Northland Utilities Limited for distribution in these communities. Sales for the year ended June 30, 1967, amounted to 1,113 million cubic feet of natural gas compared to 1,085 million cubic feet in the previous year. The Company is presently concluding arrangements to purchase additional gas from a new field recently developed adjacent to its main transmission line. Five miles of transmission line will be constructed this fall to connect this new field, raising the total length of the Company's transmission system to approximately 79 miles. The City of Grande Prairie is rapidly becoming an important distribution centre in northern Alberta. The Canadian National Railway extension under construction will link Grande Prairie to the C.N.R. mainline near Hinton, just east of Jasper National Park. This will chop 300 miles off the present rail haul between northwestern Alberta and the west coast.

The Government of the Province of Alberta expects completion of the line will lead to development of a number of major industries along the railway's right-of-way, including: a pulp mill; a coal-coke facility serving the Japanese steel industry; an iron-ore mining facility; and a gypsum mining and processing complex.

The prospects are very bright for this subsidiary.

## OUTLOOK

### Future Capital Requirements

Based on the results of a detailed economic and engineering study, and subject to the approval of an application now before the Public Utilities Commission, we will require the outlay of approximately \$17,500,000 over the next three years. Included in this sum are the transmission link with the Alberta Natural Gas Company, the extension of service to new communities, plant improvements, and the cost of connecting an anticipated 10,000 additional customers.

### Financing

At the present time your Company has outstanding a relatively small amount of short-term debt. However, as soon as firm commitments are made to construct the facilities mentioned under "Future Capital Requirements", permanent financing will be arranged.

The type of securities to be issued will include debentures, preference shares, and common stock, and the latter will be offered through a rights issue to existing shareholders. The first stage of the financing program will consist of an offering of common shares to raise approximately \$2,000,000.

## GENERAL

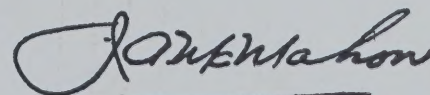
Over 92% of the shareholders of Preferred and Common stock of the Company are resident in Canada. The distribution of each class of shares is set forth herewith:

	SHAREHOLDERS		SHARES HELD	
	1967	1966	1967	1966
Preferred				
CANADA	2,615	2,664	398,800	398,805
U.S.A.	9	8	875	695
OTHERS	7	6	325	500
	<u>2,631</u>	<u>2,678</u>	<u>400,000</u>	<u>400,000</u>
Common				
CANADA	3,509	3,105	1,583,352	1,474,068
U.S.A.	424	444	330,101	389,463
OTHERS	80	84	428,172	478,094
	<u>4,013</u>	<u>3,633</u>	<u>2,341,625</u>	<u>2,341,625</u>

All the funded debt of the Company has been placed in Canada, and the principal and interest payments thereon are payable in Canadian funds only.

The Board of Directors wish to record their appreciation to an extremely loyal group of employees for a major contribution to a very successful year.

For the Board of Directors



President.

September 21, 1967



THE FOLLOWING PICTORIAL SECTION ILLUSTRATES SOME OF THE INDUSTRIAL AND COMMERCIAL DEVELOPMENTS TAKING PLACE IN THE REGION OF BRITISH COLUMBIA SERVICED BY INLAND AND SOME OF THE MANY WAYS BUILDINGS AND PLANTS USE NATURAL GAS.

These buildings are typical of the acceptance of natural gas in new construction.



*Top right—Clubhouse at Prince George Golf and Country Club.*

*Above—Royal Bank of Canada building under construction.*

*Top left—B.C. Telephone Co. regional office.*

*Left—First all natural gas equipped A & W Restaurant in British Columbia.*

*Lower left—New City Hall in final stages of construction.*

*Below—New Hudson's Bay Co. addition.*







*Casabello Wines Ltd., new winery in Penticton, is now producing wines from local grapes. Natural gas is used for heating and hot water.*

### New industry continues to locate in Company's area

*View of chip and saw area of Alexandra Forest Industries Ltd., fully automated sawmill at Mackenzie, B.C. The large plant makes diversified use of natural gas.*



*Union Oil Company of Canada Limited new refinery at Prince George*







for new mines and at least 425 new mining companies were incorporated last year.

Much of this activity, including some of the most promising new developments, are contained in the general area served by Inland. A good example is the Kamloops-Ashcroft-Merritt-Princeton copper belt where over twenty-five companies are either producing, developing or exploring. The two big producing companies are Craigmont Mines Ltd. at Merritt and Bethlehem Copper Corp. Ltd. at Highland Valley. Lornex Mining Corp. Ltd., Highmont Mining Corp. Ltd. and South Seas Mining Ltd. are all developing major holdings in this area.

It is estimated that Brenda Mines Ltd., near Peachland, contains 150 million tons of low grade copper and molybdenum. This, together with the great potential for copper production in the Princeton District, could result in the construction of a major refinery in the immediate area.

Other important producing mines located in the Inland area include Red Mountain Mines Ltd. at Rossland (third molybdenum producer in the province), Phoenix Copper Division of Granby Mining Co. Ltd. at Greenwood and Utica Mines Ltd. in the Keremeos-Cawston area.

## The Mining Industry in British Columbia

The mining industry has always been an important contributor to the economy of British Columbia. It has been stimulated in recent years by increased Canadian investment and by the influx of venture capital from all over the world. This has placed it second only to forestry in value of production.

British Columbia has thirty-one mills in operation with a daily output of approximately 73,000 tons. Eight mills are either under construction or expanding. Over 80,000 claims were staked in the province last year compared with 12,000 in 1960 and 5,000 in 1956. Seventy large exploration companies are engaged in the search

*Fertilizer and lead-zinc production operations of Cominco Ltd. at Trail, B.C.*







*Above: Dumping ore from crosscut, for transport to mill at B.C. Interior mine.*

*Above left: Bethlehem Copper Corp. Ltd. mill at Highland Valley near Merritt, B.C.*

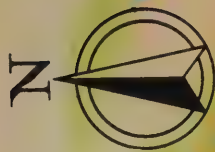
*Left: Craigmont Mines Ltd., crusher plant near Merritt, B.C.*

*Lower left: Utica Mines Ltd. silver mill in the Keremeos-Cawston area.*

*Below: Phoenix Copper Division of Granby Mining Co. Ltd. facilities at Greenwood.*







Peace River

River

peace

Fort St. John

Taylor

Portage Mountain Dam site  
Peace River

Hudson's Hope

Dawson Creek

Chetwynd

Mackenzie

Fort St. James

Vanderhoof

PRINCE GEORGE

Shelley

Barkerville

Quesnel

Quesnel Lake


Jasper

B.C.-ALBERTA BOUNDARY

Grande Prairie

### Inland Natural Gas Co. Ltd. Distribution Area

 Inland Natural Gas Co. System Lines

 Inland Natural Gas Co. Proposed Line

 Other Natural Gas Transmission Lines

 Subsidiary Co. Transmission Lines

 Communities Served by Inland Natural Gas Co.

 Compressor Station

Scale: Miles



ALBERTA



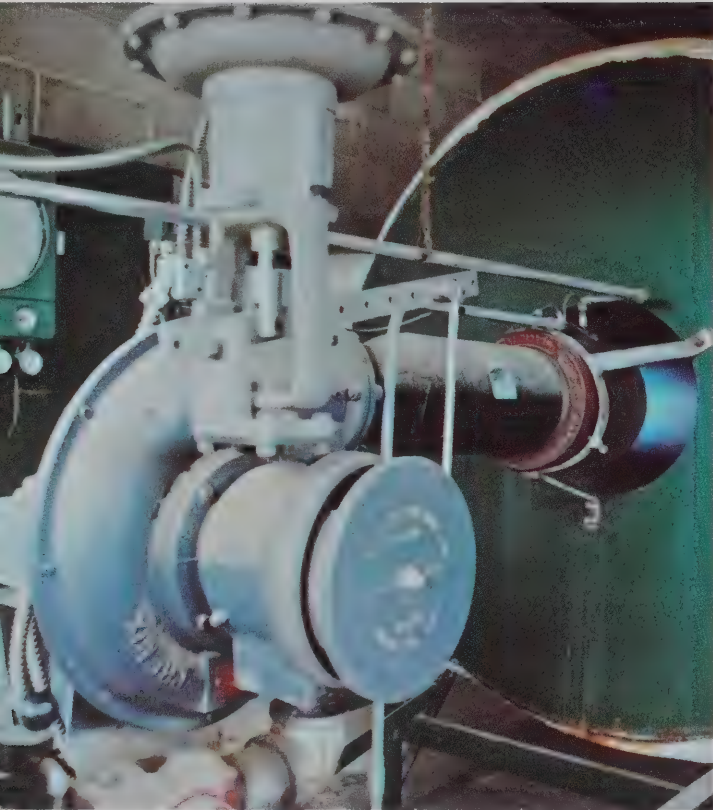




## Natural gas installed for many uses

Company personnel installed over 2,700 new gas service lines in the past twelve months. Illustrated on this page are some of the different ways in which natural gas is being put to work.

*Right—Inland construction crew prepare for the installation of new gas service.*



*Burner assembly on direct-fired lumber kiln. Gas drying speeds production and reduces inventory.*



*Centennial Fountain, Prince George, features a live natural gas flame.*

*Excavating power house at the W. A. C. Bennett Dam (formerly the Peace River Dam). Natural gas is used here to heat make-up air.*



*Apple Waxing is a new process which makes B.C. apples more attractive. Wax is applied in thin layer then dried by gas dryers.*





**INLAND NATURAL GAS CO. LTD.***and Wholly-owned Subsidiaries***STATEMENT OF CONSOLIDATED INCOME  
AND RETAINED EARNINGS****FOR THE YEAR ENDED JUNE 30**

<b>OPERATING REVENUE</b>	<b>1967</b>	<b>1966</b>
Sale of gas.....	<b>\$12,988,672</b>	\$10,553,566
Transportation allowance.....	<b>151,800</b>	174,053
Connection charges.....	<b>59,690</b>	57,310
Other operating revenue.....	<b>247,457</b>	196,496
	<b><u>13,447,619</u></b>	<u>10,981,425</u>
<b>OPERATING EXPENSES</b>		
Purchase of gas.....	<b>6,022,636</b>	4,593,278
Operation and maintenance.....	<b>1,139,077</b>	1,034,956
Provincial and municipal taxes.....	<b>331,203</b>	313,772
Franchise expense.....	<b>199,773</b>	192,324
General and administrative (Note 4).....	<b>547,202</b>	420,169
Provision for depreciation (Note 3).....	<b>918,107</b>	852,605
	<b><u>9,157,998</u></b>	<u>7,407,104</u>
Income from operations.....	<b><u>4,289,621</u></b>	<u>3,574,321</u>
<b>OTHER DEDUCTIONS</b>		
Interest on funded debt.....	<b>1,568,094</b>	1,584,007
Other interest.....	<b>112,811</b>	53,686
Amortization of discount and expense of funded debt.....	<b>97,215</b>	97,215
	<b><u>1,778,120</u></b>	<u>1,734,908</u>
Income before taxes thereon.....	<b><u>2,511,501</u></b>	<u>1,839,413</u>
Provision for income taxes (Note 5).....	<b><u>22,479</u></b>	<u>33,214</u>
<b>NET INCOME</b> for the year.....	<b><u>2,489,022</u></b>	<u>1,806,199</u>
Retained earnings at beginning of year.....	<b><u>3,261,884</u></b>	<u>2,519,521</u>
	<b><u>5,750,906</u></b>	<u>4,325,720</u>
Deduct		
Dividends declared on preference shares.....	<b>400,000</b>	400,000
Dividends declared on common shares.....	<b>819,569</b>	643,948
Adjustment of prior years' earnings.....	<b>5,683</b>	19,888
	<b><u>1,225,252</u></b>	<u>1,063,836</u>
<b>RETAINED EARNINGS</b> at end of year.....	<b><u>\$ 4,525,654</u></b>	<u>\$ 3,261,884</u>

The accompanying notes are part of these financial statements.



**INLAND NATURAL GAS CO. LTD.***and Wholly-owned Subsidiaries***CONSOLIDATED****AS A****ASSETS****CURRENT ASSETS**

	1967	1966
Cash.....	\$ —	\$ 204,846
Accounts receivable.....	<b>1,452,502</b>	1,227,733
Mortgages receivable.....	<b>255,182</b>	19,218
Inventories of materials and supplies, at cost.....	<b>768,941</b>	717,563
Prepaid expenses.....	<b>50,371</b>	48,920
	<b><u>2,526,996</u></b>	<u>2,218,280</u>

<b>MORTGAGES AND OTHER LONG TERM RECEIVABLES .....</b>	<b><u>521,040</u></b>	<u>575,298</u>
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**PROPERTY, PLANT AND EQUIPMENT, at cost**

Natural gas transmission lines and distribution systems.....	<b>39,993,214</b>	37,557,487
Plant, buildings and equipment.....	<b>2,696,450</b>	2,564,989
Land and land rights.....	<b>972,288</b>	970,344
	<b>43,661,952</b>	41,092,820
Accumulated depreciation.....	<b>4,549,354</b>	3,707,805
	<b>39,112,598</b>	37,385,015
Interest in petroleum and natural gas properties.....	<b>456,177</b>	443,909
Accumulated depletion.....	<b>49,150</b>	41,550
	<b>407,027</b>	402,359
	<b><u>39,519,625</u></b>	<u>37,787,374</u>

**OTHER ASSETS AND DEFERRED CHARGES**

Commission and expense on issue of preference shares.....	<b>1,265,678</b>	1,265,678
Unamortized discount and expense on funded debt.....	<b>1,427,601</b>	1,524,815
Incorporation and organization expenses.....	<b>24,724</b>	23,514
	<b><u>2,718,003</u></b>	<u>2,814,007</u>

<b><u>\$45,285,664</u></b>	<b><u>\$43,394,959</u></b>
----------------------------	----------------------------

The accompanying notes are part of these financial statements.



# BALANCE SHEET

JUNE 30

## LIABILITIES

### CURRENT LIABILITIES

	1967	1966
Bank loan.....	\$ 485,520	\$ —
Bankers' acceptances.....	1,500,000	1,000,000
Accounts payable.....	904,410	651,728
Interest accrued on funded debt.....	321,591	326,870
Dividends payable.....	100,000	100,000
Income taxes.....	—	10,015
Property and franchise taxes accrued.....	441,501	436,705
Bonds redeemable within one year.....	391,000	368,000
	<u>4,144,022</u>	<u>2,893,318</u>

DEFERRED INCOME.....	<u>141,618</u>	<u>134,387</u>
----------------------	----------------	----------------

### FUNDED DEBT (Notes 1 and 2)

First Mortgage Sinking Fund Bonds 6¼ % Series C, maturing May 1, 1983.....	18,894,000	19,285,000
5½ % Convertible Sinking Fund Debentures, Series A, maturing February 15, 1977.....	<u>6,080,000</u>	<u>6,320,000</u>
	<u>24,974,000</u>	<u>25,605,000</u>

## SHAREHOLDERS' EQUITY

### SHARE CAPITAL

5% Cumulative preference shares, par value \$20 per share, redeemable at not more than \$21 per share Authorized: 500,000 shares Issued: 400,000 shares.....	8,000,000	8,000,000
Common shares, par value \$1 per share Authorized: 5,000,000 shares Issued: 2,341,625 shares.....	2,341,625	2,341,625

PREMIUM ON COMMON SHARES .....	1,158,745	1,158,745
--------------------------------	-----------	-----------

RETAINED EARNINGS, per statement attached (Note 7).....	<u>4,525,654</u>	3,261,884
	<u>16,026,024</u>	<u>14,762,254</u>
	<u>\$45,285,664</u>	<u>\$43,394,959</u>

Approved on behalf of the Board

JOHN A. McMAHON, Director

FRED B. BROWN, Director



**INLAND NATURAL GAS CO. LTD.***and Wholly-owned Subsidiaries***STATEMENT OF CONSOLIDATED SOURCE  
AND APPLICATION OF FUNDS****FOR THE YEAR ENDED JUNE 30**

<b>SOURCE OF FUNDS</b>	<b>1967</b>	<b>1966</b>
Net income for the year.....	<b>\$ 2,489,022</b>	<b>\$ 1,806,199</b>
Add – Non cash charges to income.....		
Depreciation and depletion.....	<b>918,107</b>	<b>852,605</b>
Amortization of discount and expense of funded debt.....	<b>97,215</b>	<b>97,215</b>
	<b><u>3,504,344</u></b>	<b><u>2,756,019</u></b>
<b>APPLICATION OF FUNDS</b>		
Additions to property, plant and equipment.....	<b>2,657,252</b>	<b>2,646,089</b>
Sinking fund for bonds and debentures.....	<b>631,000</b>	<b>548,000</b>
Dividends on preferred and common shares.....	<b>1,219,569</b>	<b>1,043,948</b>
Increase (decrease) in mortgages and long term receivables (net).....	<b>(61,489)</b>	<b>150,534</b>
	<b><u>4,446,332</u></b>	<b><u>4,388,571</u></b>
<b>DECREASE IN WORKING CAPITAL .....</b>	<b>\$ <u>941,988</u></b>	<b>\$ <u>1,632,552</u></b>

The accompanying notes are part of these financial statements.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 1967

## 1. 5½ % Convertible Sinking Fund Debentures

The 5½ % Convertible Sinking Fund Debentures, Series A are (inter alia) unsecured obligations of the Company but are subject to restrictions of the Trust Indenture dated February 15, 1957. They are callable at a premium of 2.5% up to and including February 14, 1968 and thereafter at a reducing premium. The debenture holders have the option to convert each debenture at any time up to 2:00 p.m. (P.S.T.) on November 15, 1967, into fully paid and non-assessable Common Shares in the capital stock of the Company at the principal amount of the debenture without adjustment for interest thereon at the price of \$17.25 per share.

## 2. Sinking Fund Requirements

The Trust deeds for the Series C bonds and the Series A debentures, require the Company to establish sinking funds to retire approximately 50% of each issue prior to maturity. The annual requirements to date have been fulfilled by retirement of the stipulated principal amount of such securities. The requirements over the next five years are 1968 – \$631,000; 1969 – \$656,000; 1970 – \$682,000; 1971 – \$709,000; 1972 – \$739,000.

Prior to June 30, 1967, the Company had purchased and retired \$240,000 Series A debentures in satisfaction of the 1968 sinking fund requirement for this issue.

## 3. Depreciation

Depreciation is computed in conformity with requirements of the Public Utilities Commission of British Columbia whereby approved depreciation rates for each class of plant are applied to the Company's investment in such plant at the beginning of the year. This procedure yielded a composite rate of 2.35% for the year ended June 30, 1967.

## 4. Directors' Remuneration

The total amount deducted in the Statement of Consolidated Income in respect of remuneration to directors including president's salary was \$52,950.

## 5. Income Taxes

The Company and its subsidiaries are claiming capital cost allowances for income tax purposes which are in excess of the depreciation recorded in their accounts and the provision for income taxes is approximately \$1,210,000 less than the provision that would otherwise have been charged against income for the year ended June 30, 1967. The accumulated amount by which income taxes have been so reduced in this and prior years is approximately \$4,535,000.

In September 1964, the Public Utilities Commission changed its method of calculating income taxes in the regulation of natural gas companies in order that the savings resulting from the use of capital cost allowances in excess of depreciation provided would flow through to the consumers. For regulatory purposes only, the total tax differential accumulated by the Commission is being credited to income tax expense at the rate of approximately \$160,000 per annum plus interest for the fiscal years 1964 to 1968 inclusive. No change is required in the Company's accounts which, as approved by the Commission, do reflect the "flow-through" basis for income taxes.

## 6. Contingent Liability

The Company has guaranteed collection of certain second mortgages in the amount of \$234,000 as at June 30, 1967 sold by Inland Development Co. Ltd. during the year.

## 7. Dividends

Under the provisions of the Trust Indenture covering the issue of the 6¼ % First Mortgage Sinking Fund Bonds, Series C, certain tests must be met before the Company can pay dividends on its Common Shares. The application of these tests to the accompanying financial statements indicates that all of the Company's retained earnings are available for distribution.

## Auditors' Report to the Shareholders

We have examined the accompanying consolidated financial statements of Inland Natural Gas Co. Ltd. and wholly-owned subsidiaries for the year ended June 30, 1967 comprising the consolidated balance sheet as at that date and the consolidated statements of income and retained earnings, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. In our opinion the aforementioned consolidated statements present

fairly the financial position of the companies as at June 30, 1967 and the results of their operations and the source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

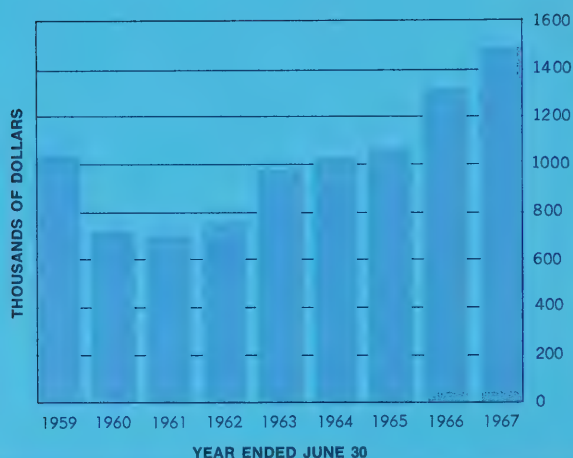
RIDDELL, STEAD, GRAHAM & HUTCHISON  
Chartered Accountants

Vancouver, B.C.  
August 28, 1967

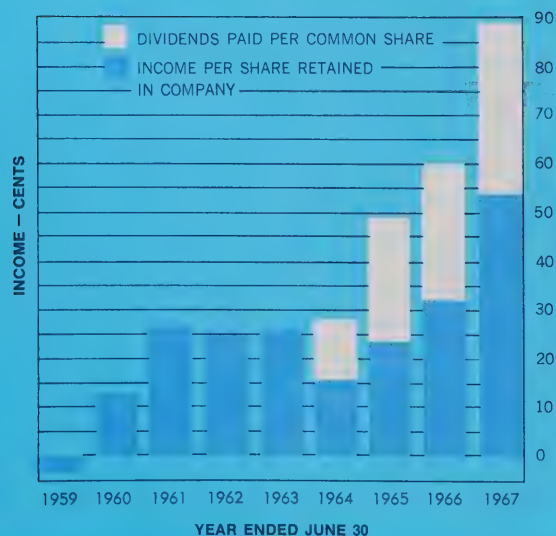


# COMPARATIVE STATEMENT O

## SALARIES AND EMPLOYEE BENEFITS



## NET INCOME AND DIVIDENDS PER COMMON SHARE



1967

### OPERATING REVENUES

Sale of gas.....	\$12,234,227
Transportation allowance* .....	151,800
Connection charges.....	59,690
Other operating income.....	232,753
	<u>12,678,470</u>

### OPERATING EXPENSES

Purchase of gas.....	5,694,852
Operation and maintenance.....	1,075,979
Provincial and municipal taxes.....	316,294
Franchise expense.....	199,773
General and administrative.....	542,463
Provision for depreciation.....	868,390
	<u>8,697,751</u>

**INCOME FROM OPERATIONS** ..... 3,980,719

### OTHER DEDUCTIONS

Interest on borrowed money.....	1,680,905
Amortization of debt discount and expense .....	97,215
Loss on disposal of fixed assets.....	-
	<u>1,778,120</u>

**NET INCOME** ..... 2,202,599

**INCOME FROM SUBSIDIARY COMPANIES (net)** ..... 286,423

**NET CONSOLIDATED INCOME** ..... \$ 2,489,022

### DIVIDENDS

Preference shares.....	\$ 400,000
Common shares.....	819,569
Total dividends.....	<u>\$ 1,219,569</u>

**NUMBER OF COMMON SHARES** ..... 2,341,625

### EARNINGS PER COMMON SHARE

(after provision for preference dividends)..... \$ .89

**DIVIDENDS PER COMMON SHARE** ..... \$ .35



# CONSOLIDATED INCOME AND DIVIDENDS

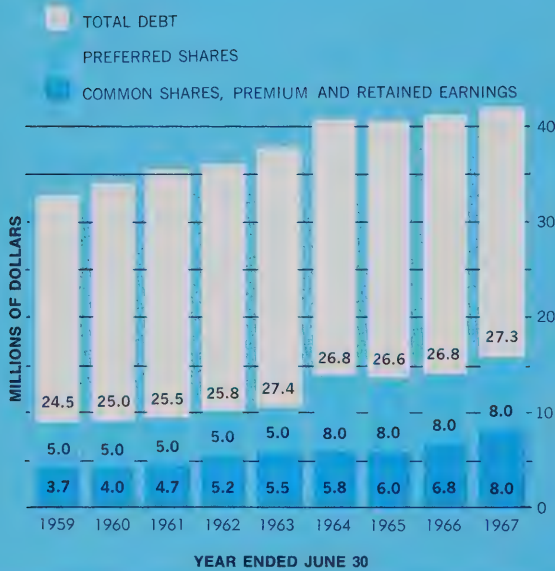
1966	1965	1964	1963	1962	1961	1960	1959
9,799,765	8,479,660	7,423,563	6,556,089	5,878,547	4,868,967	3,857,049	2,418,753
174,053	175,656	151,800	151,800	151,800	568,470	642,604	589,866
57,310	47,317	41,570	37,260	30,965	27,250	25,325	24,060
191,754	162,873	150,617	90,188	36,894	29,726	64,564	20,857
<u>10,222,882</u>	<u>8,865,506</u>	<u>7,767,550</u>	<u>6,835,337</u>	<u>6,098,206</u>	<u>5,494,413</u>	<u>4,589,542</u>	<u>3,053,536</u>
4,280,876	3,557,154	3,212,773	2,996,460	2,750,838	2,527,295	2,078,833	1,176,686
975,191	769,718	686,755	615,373	482,089	368,406	337,339	285,160
298,680	262,875	225,686	185,064	168,141	122,994	85,307	76,201
192,324	175,890	147,940	128,841	116,549	88,445	81,322	59,395
416,817	366,420	295,732	221,411	180,155	171,731	139,350	184,350
803,515	768,834	733,427	493,426	244,783	25,280	25,527	64,650
<u>6,967,403</u>	<u>5,900,891</u>	<u>5,302,313</u>	<u>4,640,575</u>	<u>3,942,555</u>	<u>3,304,151</u>	<u>2,747,678</u>	<u>1,846,442</u>
<u>3,255,479</u>	<u>2,964,615</u>	<u>2,465,237</u>	<u>2,194,762</u>	<u>2,155,651</u>	<u>2,190,262</u>	<u>1,841,864</u>	<u>1,207,094</u>
1,637,693	1,631,624	1,637,036	1,582,600	1,524,156	1,477,505	1,451,009	1,321,578
97,215	97,215	97,130	61,468	57,277	46,286	43,966	44,249
—	—	379	3,801	6,593	11,576	—	—
<u>1,734,908</u>	<u>1,728,839</u>	<u>1,734,545</u>	<u>1,647,869</u>	<u>1,588,026</u>	<u>1,535,367</u>	<u>1,494,975</u>	<u>1,365,827</u>
1,520,571	1,235,776	730,692	546,893	567,625	654,895	346,889	(158,733)
285,628	301,741	314,517	322,701	264,041	236,924	212,200	306,004
<u>1,806,199</u>	<u>1,537,517</u>	<u>1,045,209</u>	<u>869,594</u>	<u>831,666</u>	<u>891,819</u>	<u>559,089</u>	<u>147,271</u>
400,000	400,000	400,000	250,000	250,000	250,000	250,000	250,000
643,948	585,406	292,703	—	—	—	—	—
<u>1,043,948</u>	<u>985,406</u>	<u>692,703</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
2,341,625	2,341,625	2,341,625	2,341,625	2,341,625	2,341,325	2,341,300	2,341,300
.60	.49	.28	.26	.25	.27	.13	(.04)
.27½	.25	.12½	—	—	—	—	—

\*Compensation paid by Westcoast Transmission Company Limited to Inland Natural Gas Co. Ltd. for the use of Inland's transmission facilities.



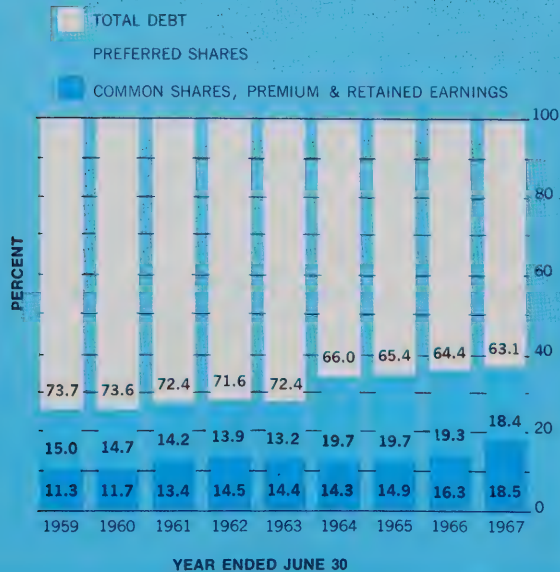
# CONSOLIDATED BALANCE

## CAPITAL STRUCTURE



YEAR ENDED JUNE 30

## CAPITAL RATIOS



YEAR ENDED JUNE 30

## MILES OF COMPANY OWNED LINES

Transmission.....	471
Distribution.....	576
Services.....	458
Transmission—subsidiaries.....	109

## UTILITY PLANT (\$000)

Transmission .....	\$18,570
Distribution.....	19,258
Stand-by.....	333
General.....	2,953
Construction work in process.....	508
Total Utility Plant.....	41,622

## SUBSIDIARIES' PLANT

2,496
\$44,118

## ACCUMULATED DEPRECIATION

Inland Natural Gas Co. Ltd.....	4,017
Subsidiary companies (including depletion) .....	581
	<u>4,598</u>

## NET CONSOLIDATED PLANT

\$39,520
----------

## CAPITALIZATION (\$000)

First mortgage bonds.....	\$19,285
Debentures.....	6,080
Short term notes and bank loan (net).....	2,000
Total debt.....	27,365
Preference shares.....	8,000
Common shares.....	2,342
Premium on common shares.....	1,159
Retained earnings.....	4,526
	\$43,392

## PERCENT OF TOTAL CAPITALIZATION

First mortgage bonds.....	44.5
Debentures.....	14.0
Short term notes and bank loan (net).....	4.6
Total percent of debt.....	63.1
Preference shares.....	18.4
Common shares.....	5.4
Premium on common shares.....	2.7
Retained earnings.....	10.4
	100.0

## RATIOS

First mortgage debt interest — times earned.....	3.50
Total debt interest — times earned.....	2.55
Preference dividends — times earned.....	6.22



# SHEET INFORMATION

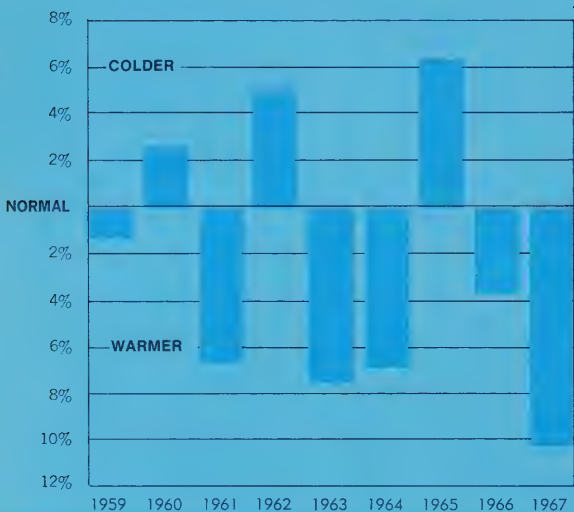
1966	1965	1964	1963	1962	1961	1960	1959
440	408	400	393	391	390	386	385
541	496	457	433	393	375	356	340
424	385	351	319	282	253	220	183
109	102	102	102	102	96	96	96
18,081	17,544	17,231	17,190	16,806	16,787	16,564	16,393
17,818	16,098	14,890	13,605	12,209	11,202	10,331	9,428
324	321	319	318	318	319	314	311
2,780	2,639	2,381	2,251	1,756	1,784	1,637	1,607
68	50	39	77	7	9	6	25
39,071	36,652	34,860	33,441	31,096	30,101	28,852	27,764
2,466	2,298	4,447	4,297	4,461	4,285	4,179	4,038
41,537	38,950	39,307	37,738	35,557	34,386	33,031	31,802
3,218	2,455	1,758	1,032	532	255	193	122
532	481	1,215	1,091	967	860	728	417
3,750	2,936	2,973	2,123	1,499	1,115	921	539
37,787	36,014	36,334	35,615	34,058	33,271	32,110	31,263
19,653	20,000	20,000	20,000	16,200	16,800	14,400	15,000
6,320	6,500	6,800	7,027	7,171	7,171	7,171	7,171
800	100	—	400	2,400	1,500	3,400	2,300
26,773	26,600	26,800	27,427	25,771	25,471	24,971	24,471
8,000	8,000	8,000	5,000	5,000	5,000	5,000	5,000
2,342	2,342	2,342	2,342	2,342	2,341	2,341	2,341
1,159	1,159	1,159	1,159	1,159	1,157	1,157	1,157
3,262	2,519	2,316	1,964	1,734	1,224	483	256
41,536	40,620	40,617	37,892	36,006	35,193	33,952	33,225
47.3	49.2	49.3	52.8	45.0	47.7	42.4	45.2
15.2	16.0	16.7	18.5	19.9	20.4	21.2	21.6
1.9	.2	—	1.1	6.7	4.3	10.0	6.9
64.4	65.4	66.0	72.4	71.6	72.4	73.6	73.7
19.3	19.7	19.7	13.2	13.9	14.2	14.7	15.0
5.6	5.8	5.8	6.2	6.5	6.6	6.9	7.0
2.8	2.9	2.8	3.0	3.2	3.3	3.4	3.5
7.9	6.2	5.7	5.2	4.8	3.5	1.4	.8
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2.91	2.64	2.25	2.51	2.45	2.85	2.36	1.74
2.18	2.02	1.72	1.63	1.62	1.66	1.45	1.18
4.52	3.84	2.61	3.48	3.33	3.57	2.24	.59



# COMPARATIVE STATEMENT OF SALES

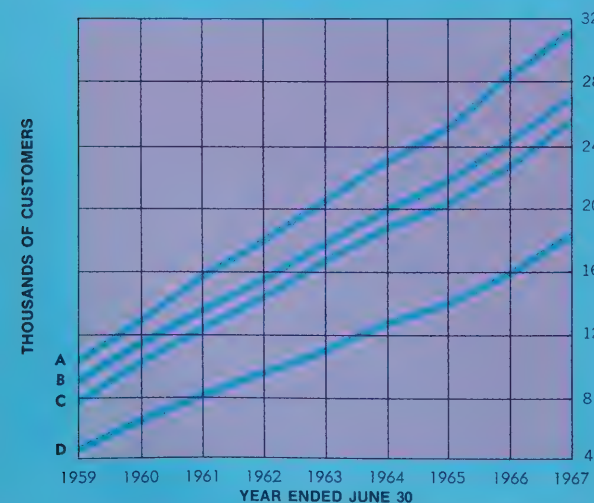
## AREA TEMPERATURES

BASED ON 30 YEAR AVERAGE  
Climatology Division, Meteorological Branch  
Dominion Dept. of Transport



## CUSTOMER UTILIZATION

A TOTAL CUSTOMERS C RESIDENTIAL SPACE HEATING  
B TOTAL RESIDENTIAL D RESIDENTIAL HOT WATER



1967

## REVENUE (\$000)

Residential.....	\$ 3,862
Commercial.....	2,391
Special construction.....	45
Small industrial.....	1,238
Industrial.....	4,698
Total natural gas revenue.....	<u>\$12,234</u>

## SALES (MMcf)

Residential.....	3,020
Commercial.....	2,295
Special construction.....	59
Small industrial.....	1,842
Industrial.....	12,543
Total natural gas sales.....	<u>19,759</u>

## CUSTOMERS AT YEAR END

Residential.....	27,133
Commercial.....	4,013
Special construction.....	219
Small industrial.....	79
Industrial.....	23
Total customers at year end.....	<u>31,467</u>

## CUSTOMER STATISTICS

Average use per customer (Mcf)	
Residential.....	117
Commercial.....	596
Average rate per Mcf	
Residential.....	\$ 1.28
Commercial.....	\$ 1.04

COST OF NATURAL GAS PURCHASED (\$000) \$ 5,695

VOLUME OF NATURAL GAS  
PURCHASED (MMcf)..... 19,387

MAXIMUM DAY SENDOUT (Mcf) 80,447



# PURCHASES AND CUSTOMER STATISTICS

1966	1965	1964	1963	1962	1961	1960	1959
3,804	3,722	3,159	2,788	2,601	2,068	1,832	1,292
2,421	2,201	1,720	1,491	1,397	1,130	1,011	692
66	1	—	—	—	—	—	—
837	535	376	243	146	131	110	54
2,672	2,021	2,169	2,034	1,735	1,540	904	381
<u>9,800</u>	<u>8,480</u>	<u>7,424</u>	<u>6,556</u>	<u>5,879</u>	<u>4,869</u>	<u>3,857</u>	<u>2,419</u>
2,772	2,546	2,133	1,867	1,790	1,391	1,267	874
2,171	1,895	1,456	1,257	1,197	947	863	605
89	1	—	—	—	—	—	—
1,211	747	527	345	209	199	155	85
7,103	5,420	5,964	5,680	4,953	4,428	2,773	1,340
<u>13,346</u>	<u>10,609</u>	<u>10,080</u>	<u>9,149</u>	<u>8,149</u>	<u>6,965</u>	<u>5,058</u>	<u>2,904</u>
24,508	22,020	20,148	18,007	15,739	13,798	11,686	9,203
3,687	3,355	2,979	2,677	2,266	1,986	1,732	1,347
398	20	—	—	—	—	—	—
73	58	48	36	22	13	13	10
19	19	23	23	20	14	10	9
<u>28,685</u>	<u>25,472</u>	<u>23,198</u>	<u>20,743</u>	<u>18,047</u>	<u>15,811</u>	<u>13,441</u>	<u>10,569</u>
119	121	112	111	121	109	121	116
617	598	515	509	563	509	561	542
1.37	1.46	1.48	1.49	1.45	1.49	1.45	1.48
1.12	1.16	1.18	1.19	1.17	1.19	1.17	1.14
4,281	3,557	3,213	2,996	2,751	2,527	2,079	1,177
13,103	10,513	10,011	9,031	8,058	6,931	5,043	2,910
58,353	51,740	42,711	48,466	43,393	31,614	23,609	24,783





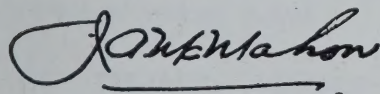


AR12

The Company is faced with the immediate problem of increasing the capacity of its transmission facilities between Savona and the West Kootenays. Fortunately, the Company can obtain a supply of gas from the Alberta Southern system at very favourable terms. Therefore, construction of a transmission line which would connect the West Kootenay area of the Inland system with the Alberta Natural Gas line is the logical solution to increase capacity and, at the same time, provide an alternate source of natural gas for security reasons. All the necessary contractual arrangements have been made with respect to the supply of natural gas from the Westcoast and Alberta systems, but the project cannot proceed until Westcoast receives approval, which it is seeking, to export additional quantities of gas to the United States. Following that approval, our Company must obtain the approval of the B.C. Public Utilities Commission. We are extremely hopeful that approval will be obtained soon, so that the facilities will be in service in the fall of 1968.

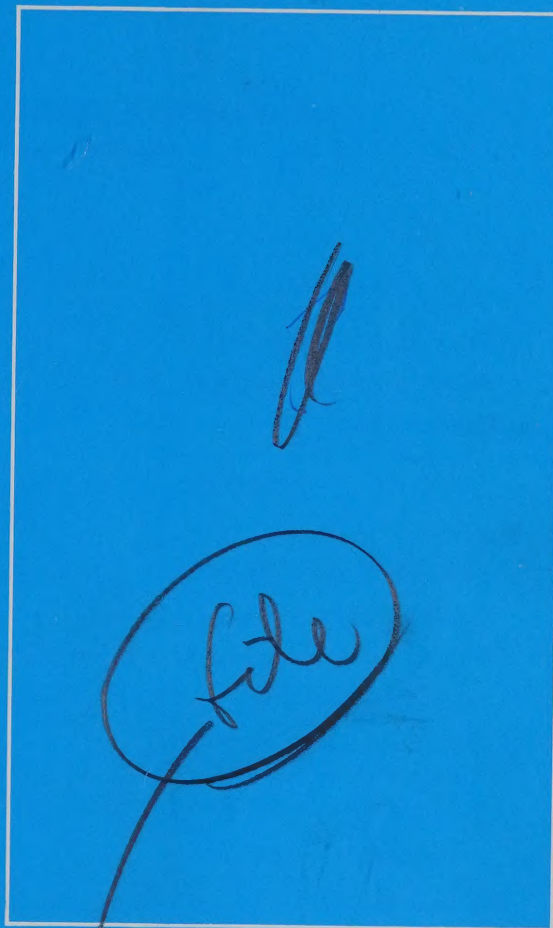
#### DIVIDENDS

At its meeting on January 25, 1968, the Board of Directors declared a quarterly dividend on the common shares of 10c, payable February 15, 1968, to shareholders of record as of February 3, 1968. For the twelve months ending December 31, 1967, dividends of 40c per share of common stock were paid, compared to 35c in the previous twelve months.



President

Vancouver, B.C.  
February 3, 1968



# INLAND

NATURAL GAS CO. LTD.

**INTERIM  
REPORT**

DECEMBER 31, 1967





## TO OUR SHAREHOLDERS

### EARNINGS

This interim report covers the first six months of the fiscal year beginning July 1, 1967 and includes Comparative Statements of Earnings for the six month and twelve month periods ended December 31, 1967 and 1966. For the first time the report also includes a statement of Source and Application of Funds.

The net income for the six months ended December 31, 1967, was \$988,903 compared to \$961,414 for the same period in 1966. The net earnings per common share after providing for payment of preferred dividends were 34c compared to 33c in the previous year. The principal reasons for the relatively small increase in earnings for the six-month period may be summarized as follows:

- (1) The weather was warmer than normal, except for the month of December;
- (2) Westcoast Transmission Company Limited, our supplier, encountered some operating difficulties that necessitated the curtailment of delivery of natural gas to our Company for a period of eight days;
- (3) a long strike in the forest industry; and,
- (4) the reduction in revenue for residential customers due to the last rate reduction which was implemented in May of 1967.

### INCOME TAXES

Reference was made in the last annual report that Inland's utility operations had not yet attracted any income tax and that income tax would be payable for the first time in the 1968 fiscal year. However, on the advice of our auditors, the company in filing their 1967 Income Tax Return has made a retroactive adjustment in their treatment of certain capitalized overheads. These overheads have now been charged to expense for income tax purposes only. This principle has been accepted by the

Income Tax Department and therefore no income tax expense is anticipated for the current year.

### NEW PROJECTS

A turn-on target date of September 30 this year has been set for the \$2½ million extension of Inland gas lines to Princeton, Peachland, Coldstream, Falkland, Naramata, and Midway. In addition, an application has been made to the Public Utilities Commission for approval to extend service to the communities of Ashcroft and Clinton. If approval is granted soon, natural gas will be available in time for the heating season in the autumn of 1968.

Extension to these communities comes at a time when new industrial activity promises healthy development of the region.

At Princeton, the Granby Mining Company has sold its interest in Copper Mountain to Newmont Mining Corporation for \$11 million. Newmont already owned the Ingerbelle property, adjacent to Copper Mountain, which is estimated to contain about 40 million tons of ore grading .7 per cent copper. Newmont is expected to build a mill to serve the two properties.

The new mining activity at Princeton, coupled with location of the \$65 million Brenda Mine near Peachland, has raised hopes of an ore production warranting the establishment of a smelter in the area.

At Midway, B.C.'s newest village, there are hopes of a wood byproduct processing plant to make use of materials from the Boundary Sawmill, one of the most modern sawmill operations in the province.

We welcome to our service area a new industry in Lafarge Cement Company, who have announced foundation tests on a 90-acre site near Kamloops which will accommodate a \$12 million plant scheduled for construction this spring.